
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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COMMISSION ORDERS UNIFORM REGULATORY REGIME FOR OFFSHORE NATURAL GAS FACILITIES

The Federal Energy Regulatory Commission today approved an initiative designed to promote more efficiency in the marketplace by implementing a single set of regulatory requirements for virtually all offshore natural gas transportation providers on the Outer Continental Shelf (OCS).

In a final rule, the Commission uses its authority under the Outer Continental Shelf Lands Act (OCSLA) to require all OCS pipeline facilities to render their transactions transparent by making available information regarding their affiliations, rates, terms and conditions of service. This information will help the Commission and others determine whether offshore transportation services adhere to the OCSLA which calls for open and nondiscriminatory access.

Chairman James J. Hoecker said, "Our aim is to make previously inaccessible information about OCS transportation available to offshore producers and to the market generally. At times of high energy price volatility, like this one, we should be doing as much as we can to ensure development of domestic natural gas supplies and to mitigate any disproportionalities in regulatory treatment. Deep water exploration and development is critically important to our economy. Yet, the OCS transportation network is exposed to widely differing forms of regulatory oversight. It's about time for movement toward some uniformity and for the Commission to prepare the way for real reform on the OCS."

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The information will also enable OCS shippers to make informed transportation arrangements and will allow the Commission, competitors, shippers and others to monitor OCS transactions for discriminatory or anti-competitive behavior.

The Commission exercises authority over offshore gas service providers under different statutes: the Natural Gas Act (NGA), the OCSLA and the Natural Gas Policy Act (NGPA). Although all OCS gas service providers are subject to the OCSLA, only a few are subject to the NGA, presenting potential competitive inequities. The Commission has found NGA jurisdictional determinations on the OCS, under the primary function test, to be complex and subject to challenge. Although the final rule does not eliminate the need for such determinations, it represents a major effort to reconcile application of the different statutes and promotes certainty for the OCS pipeline system.

Market transparency is important in this competitive era. In response to the Commission's Notice of Proposed Rulemaking last year, many comments supported the Commission's view that it should move to more uniform reporting requirements for offshore transportation providers. The final rule aims to reduce any potential distortions in the offshore market due to disparate regulatory schemes.

The final rule becomes effective within 30 days after publication in the Federal Register.